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IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

MARILYN SPRENGER,

No. 10-03661 CW

Plaintiff,

ORDER GRANTING  
PLAINTIFF'S  
MOTION TO REMAND  
AND DENYING  
REQUEST FOR  
ATTORNEYS' FEES  
(Docket No. 7)

v.

CALISTOGA MINERAL WATER COMPANY,  
INC., et al.,

Defendants.

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Plaintiff Marilyn Sprenger moves to remand this action to state court and seeks to recover attorneys' fees incurred in filing the motion. Defendants Calistoga Mineral Water Company, Inc. (CMW), Nestle Waters of North America (NWNA) and Calistoga Beverage Company (CBC) oppose the motion.<sup>1</sup> Plaintiff has not filed a reply. The hearing set for October 28, 2010 was vacated and the motion was taken under submission on the papers. Having considered all of the papers filed by the parties, the Court grants Plaintiff's motion to remand and denies her request for attorneys' fees.

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<sup>1</sup> Defendants Elwood Sprenger and the City of Calistoga do not oppose the motion.

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## BACKGROUND

2       The following facts are taken from Plaintiff's complaint. In  
3 1978, Plaintiff and Defendant Elwood Sprenger owned CMW, which  
4 operated at 1477 Lincoln Avenue, Calistoga, California. The  
5 Lincoln Avenue property included a geothermal mineral water well, a  
6 bottling plant and a warehouse. In 1978, Plaintiff and Elwood  
7 Sprenger divorced and Plaintiff became the sole owner of the  
8 Lincoln Avenue property. Elwood Sprenger became the sole owner of  
9 CMW.

10      On August 1, 1979, Plaintiff and Elwood Sprenger entered into  
11 a Lease Agreement, pursuant to which Elwood Sprenger would lease  
12 half the Lincoln Avenue Property for a term of thirty years, ending  
13 on July 31, 2009. Under the Lease Agreement, the Lincoln Avenue  
14 property was to be used only for producing, bottling and  
15 distributing mineral water. The Lease Agreement provided that, if  
16 the lessee breached the terms of the Lease Agreement, the lessee  
17 would be obliged to assign to Plaintiff "the 'Calistoga Mineral  
18 Water' trademark, or any successor trademark including the name  
19 'Calistoga'. . . ." Pl.'s Ex. A, Lease Agreement ¶ 15(a).

20      In 1979, Defendant City of Calistoga zoned the area  
21 surrounding the Lincoln Avenue property for downtown commercial  
22 uses, and the bottling operation became a non-conforming use. The  
23 bottling operation was allowed to continue as a pre-existing  
24 non-conforming use.

25      In 1980, Elwood Sprenger sold CMW to Great Water of France.  
26 Through a series of mergers and re-alignments, CMW then became a  
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1 division of Defendant NWNA.<sup>2</sup>

2 In 1990, CMW and NWNA ceased operations at the Lincoln Avenue  
3 property and, in 2002, the bottling plant was demolished. CMW and  
4 NWNA continued to pay rent under the Lease Agreement until its  
5 expiration date of July 31, 2009.

6 In August, 2009, Plaintiff learned that when CMW and NWNA  
7 ended operations at the Lincoln Avenue property in 1990, the right  
8 to continue using the property for non-conforming uses ceased. At  
9 that point, resuming a bottling operation at the Lincoln Avenue  
10 Property would violate the City's zoning ordinances.

11 On August 6, 2010, Plaintiff sued Defendants in the superior  
12 court of Napa County, California, alleging fifteen causes of  
13 action. Claims one through nine are state law claims against  
14 Elwood Sprenger and CMW, including breach of contract, conspiracy  
15 and negligence. Claim ten asks CMW to assign the "Calistoga  
16 Mineral Water" trademark to Plaintiff and states:

17 Defendant's failure to return the premises in the same  
18 condition as received violated lease paragraphs 5.1,  
19 5.2, 6.2, 6.3, and 16.7. Paragraph 15 of said lease  
provides that an assignment to Lessor of the "Calistoga  
Mineral Water" trademark or any successor trademark  
including the name "Calistoga" shall be processed in  
the event of Lessee's default. . . . Plaintiff requests  
that Defendant CMW transfer said trademark to Plaintiff  
and comply with lease paragraph 15(b).

22 Pl.'s Comp., ¶¶ 78, 79, and 81.

23 Claim eleven re-alleges claims one through ten against NWNA,  
24 as successor in interest to CMW; claim twelve re-alleges claims one  
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26 <sup>2</sup> The Court grants Defendants' request for judicial notice  
27 that NWNA's mark "Calistoga" is registered with the United States  
Patent and Trademark Office.

1 through ten again CBC, as another name for CMW. Claims thirteen  
2 though fifteen are against the City for tortious interference with  
3 a contract, conspiracy and the taking of Plaintiff's vested  
4 property rights in violation of the Fifth Amendment.

5 On August 19, 2010, Defendants NWNA, CMW and CBC filed a  
6 notice of removal asserting that the Court has subject matter  
7 jurisdiction under 28 U.S.C. §§ 1331 and 1338, and 15 U.S.C. § 1121  
8 because the tenth cause of action arises under and involves a  
9 substantial question of federal trademark law. Removing Defendants  
10 also asserted that Plaintiff's ninth cause of action for conspiracy  
11 is actually an unfair competition claim and, in conjunction with  
12 the a trademark claim, the Court has original jurisdiction over it  
13 under section 1338. Elwood Sprenger and the City did not join in  
14 the removal. On September 9, 2010, Plaintiff filed this motion to  
15 remand.

## LEGAL STANDARD

17 A defendant may remove a civil action filed in state court to  
18 federal district court if the district court could have exercised  
19 original jurisdiction over the matter. 28 U.S.C. § 1441. However,  
20 if at any time before judgment it appears that the district court  
21 lacks subject matter jurisdiction over a case removed from state  
22 court, the case must be remanded. 28 U.S.C. § 1447(c). On a  
23 motion to remand, the scope of the removal statute is strictly  
24 construed. Gaus v. Miles, Inc., 980 F.2d 564, 566 (9th Cir. 1992).  
25 "The 'strong presumption' against removal jurisdiction means that  
26 the defendant always has the burden of establishing that removal is  
27 proper." Id. (internal citation omitted).

1       Federal courts have original jurisdiction over claims arising  
2 under the Constitution, treaties or laws of the United States. 28  
3 U.S.C. § 1331. District courts have original, though not  
4 exclusive, jurisdiction over any case arising under federal  
5 trademark law. 28 U.S.C. § 1338(a). District courts also have  
6 original, though not exclusive, jurisdiction over claims arising  
7 under the Lanham Act. 15 U.S.C. § 1121(a). Because 28 U.S.C.  
8 § 1338 and 15 U.S.C. § 1121 both contain the same "arising under"  
9 language that appears in section 1331, the principles of section  
10 1331 are applicable to section 1338 and section 1121. Duncan v.  
11 Stuetzle, 76 F.3d 1480, 1485-86 (9th Cir. 1996).

12       Jurisdiction under section 1338(a) extends to those cases in  
13 which a well-pleaded complaint establishes either that federal  
14 trademark law creates the cause of action or that the plaintiff's  
15 right to relief necessarily depends on resolution of a substantial  
16 question of federal trademark law. Id. at 1486.

17       Federal question jurisdiction is determined by examining the  
18 face of the plaintiff's well-pleaded complaint. Caterpillar Inc.  
19 v. Williams, 482 U.S. 386, 392 (1987). Federal question  
20 jurisdiction is easily found where a plaintiff pleads a cause of  
21 action created by federal law. Merrell Dow Pharmas. v. Thompson,  
22 478 U.S. 804, 808 (1986). A federal defense, however, is not part  
23 of a cause of action. Caterpillar Inc., 482 U.S. at 392 (citing  
24 Metro. Life Ins. Co. v. Taylor, 481 U.S. 58, 63 (1987)). A case,  
25 therefore, may not be removed to federal court based on a federal  
26 defense "even if the defense is anticipated in the plaintiff's  
27 complaint, and even if both parties admit that the defense is the  
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1 only question truly at issue in the case." Franchise Tax Bd. of  
2 Cal. v. Constr. Laborers Vacation Trust for S. Cal., 463 U.S. 1, 14  
3 (1983).

4 Where a plaintiff only asserts causes of action under state  
5 law, an action may nonetheless be deemed to arise under federal law  
6 if substantial questions of federal law are implicated. Grable &  
7 Sons Metal Prods. Inc. v. Darue Eng'g & Mfg., 545 U.S. 308, 314  
8 (2005). In such cases, the defendant must show that resolution of  
9 a substantial question of federal trademark law is essential to at  
10 least one of the plaintiff's claims. Duncan, 76 F.3d at 1486.  
11 However, a substantial question of federal law will only support  
12 jurisdiction in a special and small category of cases. Empire  
13 Healthchoice Assurance, Inc. v. McVeigh, 547 U.S. 677, 699 (2006).

14 DISCUSSION

15 I. Arising Under Federal Law

16 Defendants first argue that, because the assignment of a  
17 federally-registered trademark is governed by 15 U.S.C. § 1060 of  
18 the Lanham Act, Plaintiff's tenth cause of action arises under  
19 federal law. Section 1060 states, "A registered mark or a mark for  
20 which an application to register has been filed shall be assignable  
21 with the good will of the business in which the mark is used."  
22 Thus, pursuant to section 1060, a trademark can only be assigned if  
23 the business connected to that trademark is also assigned. Mister  
24 Donut of Am., Inc. v. Mr. Donut, Inc., 418 F.2d 838, 842 (9th Cir.  
25 1969). Defendants argue that, in order to compel the assignment of  
26 the "Calistoga" trademark, a court must decide whether the lease's  
27 assignment provision complies with section 1060 by requiring both

1 the assignment of the "Calistoga" trademark and the assignment of  
2 Defendants' business.

3 Plaintiff argues that her tenth cause of action merely seeks  
4 a remedy allowed under the contract and, therefore, is a contract  
5 claim. The tenth cause of action is not based on federal trademark  
6 law. The tenth cause of action does not cite, or even mention,  
7 federal trademark law. Indeed, there are no federal statutes,  
8 rules, regulations or cases cited at any point in the complaint.<sup>3</sup>  
9 The face of the complaint, therefore, does not state a claim  
10 arising under federal trademark law. Instead, Plaintiff's tenth  
11 cause of action is more properly characterized as a prayer for  
12 relief because it requests the relief to which the parties agreed  
13 for a breach of the Lease Agreement, the assignment of the  
14 "Calistoga" trademark.

15 Plaintiff's right to this remedy depends on whether Defendants  
16 breached the lease. Therefore, Defendants can challenge the tenth  
17 cause of action in two ways: they can argue that they did not  
18 breach the lease, or they can argue that the assignment provision  
19 is unenforceable because it does not also provide for the  
20 assignment of Defendants' business as required under section 1060.  
21 Thus, section 1060 provides a defense that could prevent the  
22 assignment even if the trier of fact finds that Defendants breached  
23 the Lease Agreement. A federal defense, however, is not part of a  
24 plaintiff's well-plead complaint and cannot be the basis for

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26       <sup>3</sup> Plaintiff cites the Fifth Amendment in her takings claim  
27 against the City. However, the City did not join in the removal  
action nor have the moving Defendants based their argument on the  
takings claim.

1 removal. Franchise Tax Bd. of Cal., 463 U.S. at 14.

2 Thus, Defendants have failed to show that Plaintiff's  
3 complaint contains a cause of action arising under federal law.

4 II. Substantial Question of Federal Law

5 In the alternative, Defendants argue that, even if the Court  
6 finds that the tenth cause of action is not created by federal law,  
7 jurisdiction is still proper because it necessarily implicates a  
8 substantial question of federal trademark law. In support of this  
9 argument, Defendants rely on Grable, 545 U.S. at 314, where the  
10 Court stated that state law claims can confer federal question  
11 jurisdiction if the claims "necessarily raise a stated federal  
12 issue, actually disputed and substantial, which a federal forum may  
13 entertain without disturbing any congressionally approved balance  
14 of federal and state judicial responsibilities."

15 In Grable, the Internal Revenue Service (IRS) seized Grable's  
16 real property to satisfy a federal tax delinquency. Id. at 310.  
17 Grable subsequently brought a quiet title action in state court,  
18 claiming that he received ineffective notice under the federal tax  
19 law. Id. at 311. The defendant removed the case claiming that  
20 federal question jurisdiction existed because the quiet title claim  
21 depended on an interpretation of federal tax law. Id. The Court  
22 found federal jurisdiction because the tax statute's meaning was  
23 "an essential element of [the plaintiff's] quiet title claim, and  
24 the meaning of the federal statute is actually in dispute." Id. at  
25 315.

26 This case is distinguishable from Grable. In Grable, the  
27 plaintiff's cause of action relied upon the defendant's violation

1 of federal law; here, as discussed above, it is only Defendants'  
2 defense that relies on federal law.

3 Defendants argue that the validity of the assignment provision  
4 under section 1060 is a question of federal law that Congress  
5 intended the federal courts to address. Defendants reason that 28

6 U.S.C. § 1338, which expressly authorizes federal courts to hear  
7 cases involving federal trademark law, reflects a strong federal  
8 interest in the uniform interpretation of the Lanham Act.

9 According to Defendants, allowing a state court to apply section  
10 1060 to the Lease Agreement could adversely impact the purpose of  
11 the section, which protects consumers from being misled by a  
12 product bearing a particular mark.

13 However, federal courts have explicitly been denied exclusive  
14 jurisdiction over trademark questions; instead, questions of  
15 trademark law may be brought in state or federal court. In re  
16 Circular Thermostat, 2005 WL 2043022, \*7 (N.D. Cal.). The same is  
17 true for claims arising under 15 U.S.C. § 1121, which gives  
18 district courts original, but not exclusive, jurisdiction over  
19 cases arising under the Lanham Act. Scientific Tech., Inc. v.  
20 Stanford Telecomm., Inc., 1988 WL 1091939 (N.D. Cal.). Thus,  
21 Congress has explicitly allowed state courts to address such  
22 issues. Allowing a state court to interpret section 1060 would not  
23 undermine the purpose of federal trademark law.

24 Defendants rely on other cases that are also distinguishable.  
25 In Sparta Surgical Corp. v. NASD, 159 F.3d 1209, 1211 (9th Cir.  
26 1998), the court held that state common law claims alleging that  
27 the National Association of Securities Dealers (NASD) violated

1 rules promulgated under the Securities Exchange Act of 1934 raised  
2 a federal issue because district courts have exclusive jurisdiction  
3 over violations of the Securities Exchange Act of 1934 and any  
4 rules and regulations thereunder. Sparta, 159 F.3d at 1211. In  
5 Sparta, the complaint made direct reference to the NASD rules and,  
6 thus, the existence of a federal issue was apparent from the face  
7 of the complaint. Id. Here, the complaint does not refer to  
8 federal law and, most importantly, in contrast to the Securities  
9 Exchange Act of 1934, district courts do not exercise exclusive  
10 jurisdiction over trademark claims.

11 Defendants' remaining cases are inapposite. Removal was  
12 proper in Lockyer v. Dynegy, Inc., 375 F.3d 831, 840-41 (9th Cir.  
13 2003), because the plaintiffs' unfair competition claims actually  
14 constituted an attempt to enforce federal tariffs, a subject matter  
15 committed exclusively to federal district courts under 16 U.S.C.  
16 § 825. In Broder v. Cablevision Sys. Corp., 418 F.3d 187, 195-96  
17 (2d Cir. 2002), removal was proper because the plaintiff alleged  
18 that the defendants violated federal law and that by violating  
19 federal law the defendants breached a contract with the plaintiff.  
20 In contrast to this case, the federal issue in Broder was apparent  
21 from the face of the complaint and the breach of contract claim  
22 itself relied upon the violation of federal law.

23 Thus, Defendants have failed to show that this claim fits  
24 within the special and small category of state law claims where  
25 jurisdiction rests on a substantial question of federal law.

26 III. The Ninth Cause of Action

27 Finally, Defendants argue that the Court has original

1 jurisdiction over Plaintiff's ninth cause of action against CMW and  
2 the City for conspiracy. In the ninth cause of action, Plaintiff  
3 claims that the City allowed CMW to open a new bottling plant in  
4 Calistoga only after CMW agreed to shut down operations on the  
5 Lincoln Avenue property. Plaintiff alleges that this agreement  
6 constituted a conspiracy to deprive her of a vested property right  
7 to bottle mineral water on the Lincoln Avenue property and to  
8 prevent her from competing with CMW.

9 Defendants characterize the ninth cause of action as an unfair  
10 competition claim and argue that it is substantially related to the  
11 tenth cause of action. Under section 1338(b), district courts have  
12 original jurisdiction over any claim of unfair competition joined  
13 with a substantial and related trademark claim. However, as  
14 explained above, the tenth cause of action does not arise under  
15 federal trademark law. Therefore, even if the ninth cause of  
16 action constitutes a claim of unfair competition, the Court does  
17 not have original jurisdiction over it.

18 Because the requirements of federal question jurisdiction are  
19 not satisfied, the Court does not have subject matter jurisdiction  
20 to hear this case, and Plaintiff's motion for remand is granted.<sup>4</sup>

21 IV. Attorneys' Fees and Costs

22 Plaintiff seeks an order compelling Defendants to reimburse  
23 her for attorneys' fees she incurred in connection with the  
24 improper removal. Title 28 U.S.C. § 1444(c) allows the Court to

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25                  <sup>4</sup> Because the Court remands this action to state court based  
26 on a lack of subject matter jurisdiction, it need not address  
27 Plaintiff's argument that removal is barred by the lease's choice  
of law provision.

1 "require payment of just costs and any actual expenses, including  
2 attorney fees, incurred as a result of the removal." Attorneys'  
3 fees and expenses are appropriate where a defendant's removal  
4 petition lacks any reasonable basis in law or fact. Martin v.  
5 Franklin Capital Corp., 546 U.S. 132, 141 (2005). The Court  
6 declines to award attorneys' fees and costs incurred in seeking  
7 this remand because Defendants' removal petition was not entirely  
8 lacking a reasonable basis in law or fact.

9 CONCLUSION

10 For the foregoing reasons, the Court grants Plaintiff's motion  
11 to remand this action to state court and denies Plaintiff's request  
12 for attorneys' fees. (Docket No. 7.) The Clerk shall remand the  
13 case to the superior court for Napa County.

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15 IT IS SO ORDERED.

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17 Dated: 11/15/2010  
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19 CLAUDIA WILKEN  
20 United States District Judge  
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